



California Business, Transportation & Housing Agency

DRAFT

Economic Development Work Plan 2008 – 2010

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Introduction

The Administration's economic development policies seek to create and sustain an environment supportive of California's businesses, entrepreneurs and workers. California has many assets that drive one of the largest and most dynamic economies in the world. Our plan leverages those assets and the key "building blocks" of California's economic comparative advantage.

1. California's Assets

Culture of Innovation. California is a leader in innovation. New ideas are a natural part of life in the Golden State. California supports creativity with a superior educational system and job training that produces an unrivaled, highly skilled labor force.

- In 2007, the State had 2.3 million students¹ enrolled in 474 colleges and universities² that conferred 373,000 degrees.³ In addition, California has 621 members in the National Academy of Sciences.⁴ Further, there are 109 Nobel laureates who have taught at California universities, 55 who graduated from California universities, and 164 who are affiliated with California universities.⁵
- California continues to be the nation's leading high-tech state, with nearly 1 million high-tech workers – about one-sixth of all U.S. high-tech workers.⁶
- The State's high-tech exports totaled over \$52 billion in 2006 – ranked first nationwide – and high-tech goods represent 41% of the State's annual exports.⁷
- These assets were recognized in *Business Facilities Magazine*, which announced in its July 2007 issue that California is home to two of the cities in the United States with the "Most Educated Workforce": San Diego (#4) and Sacramento (#12).

Research and Development and Venture Capital. California is a center of research and development (R&D) spending, funded, in large part, by venture capital (VC).

- California offers a 24% R&D tax credit to businesses and leads the nation in R&D and VC investment.
- In the second quarter of 2007, California companies received more than \$3.2 billion, or 46% of all VC dollars invested in the United States.⁸
- Top sectors receiving VC funding are software, biotechnology, energy, medical devices and telecommunications.⁹
- R&D expenditures at universities and colleges totaled \$6.49 billion in FY 2006.¹⁰ In 2005, industrial R&D totaled \$50.6 billion, and ranked first in the nation.¹¹

¹ California Postsecondary Education Commission, *Custom Data Report*, <http://www.cpec.ca.gov> (run September 2008)

² California Postsecondary Education Commission, <http://www.cpec.ca.gov/CollegeGuide/CollegeGuide.asp>

³ California Postsecondary Education Commission, *Custom Data Report*, <http://www.cpec.ca.gov> (run September 2008)

⁴ Number includes 605 members and 16 foreign associates (non-voting members with similar high-level qualifications) National Academy of Sciences Online <http://www.nasonline.org> (December 14, 2007)

⁵ Nobel Foundation, http://nobelprize.org/nobel_prizes/lists/universities.html

⁶ Statistics taken from American Electronics Association, "Cyberstates 2007," as reported in "USA Today" http://www.usatoday.com/tech/techinvestor/industry/2007-04-24-techjobs_N.htm (December 12, 2007). There are 919,322 tech jobs located in California, with 5,773,900 employees in the technology industry nationwide.

⁷ American Electronics Association, excerpts from "Cyberstates 2007" http://www.aeanet.org/PressRoom/prac_TCS_2007_california_sd.asp (December 12, 2007)

⁸ PricewaterhouseCoopers, "MoneyTree Survey Report"

http://www.pwcmoneytree.com/MTPublic/ns/moneytree/files/source/exhibits/2Q07MoneyTree_Report.pdf (December 14, 2007)

⁹ Ibid.

Large and Growing Market. California is an attractive market for business and remains the number one state for attracting foreign direct investment.¹²

- In 2006, the State produced more than \$1.73 trillion in goods and services.¹³
- California's population exceeded 36.4 million persons on August 31, 2007, and continues to grow in size and diversity,¹⁴ representing 12% (one out of every nine persons) of the United States population.¹⁵
- Currently, only three minority markets at the state level exceed \$100 billion in buying power annually, and two of them are in California: Hispanic buying power comprises \$228 billion in California and California's Asian consumer market totals \$150 billion.¹⁶
- Its large consumer market forms a solid basis for the high technology, biotechnology, food and agriculture, apparel, and entertainment industries.
- California boasts 18 foreign trade zones and 42 enterprise zones.

Strong Businesses. To be successful over the long haul, a state needs capable entrepreneurs and the risk capital to support the conversion of research into commercially viable technology products and services. California tops many business lists.

- In the June 2008 survey, California scored number one in the nation on the Milken Institute's Risk Capital and Entrepreneurial Infrastructure (RCEI) Composite Index.
- In 2007, Forbes.com announced in its online publication that California led all states in the categories of "200 Best Small Companies" and "Fastest-growing Tech Companies."
- In the most recent listing of Entrepreneur Magazine's Young Millionaires (under 40) issue, four of the twelve profiles were from California -- more than any other state listed.
- In addition, in June 2008, 52 California companies were ranked among *FORTUNE Magazine's* prestigious FORTUNE 500 list of America's largest corporations ranked within states.

Infrastructure. While there is much to be done to rebuild the State's infrastructure, California is globally connected through a world-class infrastructure.

- California's infrastructure includes more than 15,000 miles of highways and freeways,¹⁷ 11 cargo airports,¹⁸ and 11 cargo seaports.¹⁹

Climate and Natural Resources. California's climate and its diverse natural resource riches sustain healthy and active lifestyles for its citizens, world-class tourist attractions, abundant agriculture including its globally recognized viniculture, and green energy production.

- The State offers natural and scenic beauty in 31 national parks,²⁰ 280 State parks,²¹ 1,100 coastline miles,²² and over 100 wilderness areas.

¹⁰ National Science Foundation, <http://www.nsf.gov/statistics/nsf08300/pdf/tab19.pdf> (December 14, 2007)

¹¹ National Science Foundation, Statistics <http://www.nsf.gov/statistics/infbrief/nsf07335/> (December 14, 2007)

¹² US Bureau of Economic Analysis <http://www.bea.gov> (December 12, 2007)

¹³ US Bureau of Economic Analysis <http://www.bea.gov> (December 12, 2007)

¹⁴ US Census Bureau, "California Quick Facts" <http://quickfacts.census.gov/qfd/states/06000.html> (December 12, 2007)

¹⁵ US Census Bureau, "US Quick Facts" <http://quickfacts.census.gov/qfd/states/00000.html> (December 12, 2007)

¹⁶ University of Georgia, Terry College of Business, http://www.terry.uga.edu/news/releases/2007/minority_buying_power_report.html (December 14, 2007)

¹⁷ California Department of Transportation, <http://www.dot.ca.gov/hq/maint/roadway.htm> (December 14, 2007)

¹⁸ Air Cargo World Online <http://www.aircargoworld.com/directories/2008ad/ca.htm#top> (December 14, 2007)

¹⁹ California Department of Housing and Community Development http://www.hcd.ca.gov/fa/cdbq/ez/Enterprise_Zone_map.pdf (December 14, 2007)

²⁰ National Park Service, US Department of the Interior, "California" <http://www.nps.gov/state/ca/> (December 14, 2007)

²¹ California State Parks <http://www.nps.gov/state/ca/> (December 14, 2007)

- California has 21 professional sports teams, over 1,000 golf courses, and more theme parks and amusement parks than any other state.
- It is home to the most towns on *CNN Money Magazine's* 2007 list of Best Places to Live²³ and continues to be the U.S. leader in tourism, with annual tourism-related revenues approaching \$100 billion.²⁴

2. Approaches to Economic Development

Our economic development strategy focuses on the following key building blocks of California's economic competitive advantage.

Research Excellence and Knowledge Base. California is a knowledge-based economy; research universities and institutions are the idea factories and the wellspring of innovation for new businesses and jobs.

Competitive-Advantage Industry Clusters. An industry cluster is a geographical concentration of industries that gain performance advantages through co-location. They are drivers of economic growth and prosperity. They are regional and cross-regional, and include aerospace, alternative/clean energy, agriculture, biotechnology and biomedical manufacturing, design, entertainment, international trade, logistics, travel and tourism, finance and many more, including the convergence of industries such as biotechnology and information technology.

Infrastructure, Energy, Smart Growth and Sustainability. The basis for quality of life is achieved through investments in both human and physical infrastructure. The underpinning is the more efficient use of land linked to housing, transportation, and jobs, in turn leading to: more housing production, choice, and affordability; better mobility; conservation of natural resources and valuable habitat; and protected productive farmland. The State also requires a sustainable supply of energy and water to maintain economic growth in the face of rapidly changing global supply chains and technologies. Equally important are high-achieving schools and students; a workforce 'system' linked to economic development; healthier people and cost-effective health care.

Efficient Government and Regulations. Effective government supports healthy enterprise and serves the public well. Pathways include streamlining, improving performance, cutting red tape — creating a culture of accountability to the public, focused on outcomes and productivity.

Effective Governance and Civic Leadership. Effective governance engages people, encourages individual responsibility and community cooperation, and provides stability for economic development through intergovernmental collaboration.

3. Evolving Organizational Roles

On November 29, 2005, Governor Schwarzenegger established the California Economic Development Partnership, an interagency Cabinet team -- consisting of the Business, Transportation & Housing Agency (BTH or Agency), California Department of Food & Agriculture, and the California Labor & Workforce Development Agency -- to coordinate all of the State government economic development activities. The Partnership brings together State Administration resources in collaboration with regional and local economic development organizations and other public and private expert resources to attract, retain and expand jobs in California.

On October 13, 2007, while continuing the partnership approach, the Governor signed Assembly Bill 1721 which defines "economic development" broadly to mean, in pertinent part, "any activity that enhances the

²² Bureau of Land Management, US Department of the Interior, http://www.blm.gov/ca/st/en/prog/blm_special_areas/ccnm/update_archives/update_070804.html (December 14, 2007)

²³ CNN Money Magazine <http://money.cnn.com/magazines/moneymag/bplive/2007/> (December 12, 2007)

²⁴ California Travel and Tourism Commission

factors of productive capacity, such as land, labor, capital, and technology, of a national, state, or local economy.”²⁵ AB 1721 defines local economic development organizations,²⁶ regional economic development organizations,²⁷ economic development corporations,²⁸ and regional economic development corporations.²⁹ Unless the context suggests otherwise, these entities are collectively referred to as “economic development organizations” (EDOs).

In carrying out its economic development responsibilities, BTH will pursue policies that continue to support statewide efforts to strengthen the building blocks of competitive advantage summarized above. The Agency will, for example, strive to ensure that California continues to lead the energy efficiency and conservation industry, sustainable development, green building and green purchasing practices, the reduction of greenhouse gas emissions, and the creation of healthier environments in which to work, live and learn.

To achieve greater impact, however, BTH is seeking to substantially improve the level of focus and coordination, first among its departments and programs, and then among the programs and activities of other government and private sector stakeholders. Many organizations have launched programs to catalyze growth in key regions and industry clusters in California, but do not actively collaborate with one another to coordinate efforts or leverage resources. For this reason, the Agency will emphasize collaboration among its constituent departments, and with other public and private organizations throughout the State. While EDOs are in the best position to lead “retail” economic development, BTH will foster a macro economic environment that is conducive to economic growth and job creation, and strive to create conditions in which stakeholders can collaborate in new, constructive ways and make informed decisions based on shared information.

The Agency’s efforts are summarized in this work plan (Plan), which identifies 50 priority actions the Agency is taking to achieve its top 10 objectives during calendar years 2008 through 2010. The Plan is intended solely as a tool to focus our efforts and inform our stakeholders of opportunities to work together in solving problems and growing our economy. In addition, it is important to note that the Plan may be adjusted along the way as we learn and evolve in the face of new challenges and opportunities.

This version does not identify each and every worthwhile objective or action, nor reflect our continuing efforts to devise an appropriate means of measuring progress and outcomes, particularly as they relate to the quality and success of collaboration. Finally, many actions relate to others and further multiple objectives but are not restated for the sake of brevity.

²⁵ Government Code section 13997.2 (b)(5).

²⁶ “A public or public-private job creation activity recognized by cities and counties as the lead agency within that city or county for planning and implementation of job creation involving business expansion, business retention, and new business development.” Government Code section 13997.2 (b)(1).

²⁷ An organization comprised of: (i) a single county, (ii) more than one county, (iii) a subregion within a county established by the cities and county within that subregion, or (iv) an economic development corporation. Government Code section 13997.2 (b)(2).

²⁸ A local or regional nonprofit public-private economic development organization recognized in a defined region by the public and private sector as the lead agency for the planning and implementation of job creation involving business retention and new business development. Government Code section 13997.2 (b)(3).

²⁹ A corporation comprised of: (i) a single county, (ii) more than one county, or (iii) a subregion within a single county established by a group of cities and counties. Government Code section 13997.2 (b)(4).

Top 10 Objectives (not in order of priority)

Following the Governor's directive to follow through with action, BTH will strive to:

1. Emphasize economic development in all BTH programs
2. Improve collaboration among economic development agencies
3. Support local and regional economic development efforts
4. Improve contracting and growth opportunities for small business
5. Mitigate impacts of the financial crisis on business and property values
6. Accelerate Proposition 1B transportation bond programs
7. Implement the Goods Movement Action Plan and GoCalifornia mobility strategy
8. Pursue a Federal transportation bill that addresses California's needs
9. Implement the International Trade and Investment Strategy
10. Expand broadband access and adoption

50 Priority Actions

With limited resources, BTH will follow through on existing Administration strategies, giving the highest priority to actions deemed necessary to achieve its Top 10 Objectives. Certain actions are important to achieving multiple objectives.

OBJECTIVE 1: EMPHASIZE ECONOMIC DEVELOPMENT IN ALL BTH PROGRAMS

BTH will actively consider economic development strategies in its planning and decision making such that, to the greatest degree possible, all BTH programs and activities support the creation, attraction, retention or expansion of jobs in California.

- Action 1:1** Assess the economic development focus and effectiveness of the programs within BTH.
- Action 1:2** Oversee each Department's self-assessment of economic development focus.
- Action 1:3** Oversee each Department's self-assessment of "regulatory footprint."
- Action 1:4** Identify opportunities for private use or development of State-owned properties.
- Action 1:5** Track State and Federal legislation, and advocate the BTH position as necessary.
- Action 1:6** Plan for Real ID Act implementation.
- Action 1:7** Implement the Strategic Highway Safety Plan.

OBJECTIVE 2: IMPROVE COLLABORATION AMONG ECONOMIC DEVELOPMENT AGENCIES

Since no single organization can meet the State's economic development needs, success turns on our ability to mobilize the State's network of stakeholders into a cohesive partnership.

- Action 2:1** Create and promote a California economic development brand.
- Action 2:2** Establish a single-point-of-entry website for State economic development services.

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- Action 2:3** Partner with EDOs on trade missions and trade shows.
 - Action 2:4** Strengthen relationship with the Federal Economic Development Administration.
 - Action 2:5** Establish an inter-agency grants working group to maximize Federal grant opportunities.

OBJECTIVE 3: SUPPORT LOCAL AND REGIONAL ECONOMIC DEVELOPMENT EFFORTS

The increasing growth and diversity of California's population, the current economic downturn and fiscal crisis, inadequate infrastructure and various global trends continue to challenge the State's competitive advantage and the quality of life of its residents. While EDOs are in the best position to lead "retail" economic development, BTH strives to create conditions in which stakeholders throughout the State can collaborate in new, constructive ways and make informed decisions based on shared information. In so doing, the Agency will: (1) support cluster initiatives that have strong local, regional and industry leadership; and (2) help to break down barriers that impede collaboration and limit cluster development, while maintaining a collaborative "bottom-up" approach to policy development and implementation.

- Action 3:1** Create a model economic development element.
- Action 3:2** Encourage local governments to adopt and update economic development strategies.
- Action 3:3** Create electronic communications tools to better leverage EDO relationships.
- Action 3:4** Support the California Partnership for the San Joaquin Valley.
- Action 3:5** Implement the California Urban Communities Collaborative.
- Action 3:6** Lead a media tour and domestic trade missions to market California.
- Action 3:7** Use regional cluster analysis to focus business retention, expansion and attraction efforts on clusters with high potential for sustained growth and job creation.
- Action 3:8** Implement the Life Sciences Action Plan recommendation to promote life sciences community and government collaboration.
- Action 3:9** Catalogue major economic and real estate development projects underway in California.

OBJECTIVE 4: IMPROVE CONTRACTING AND GROWTH OPPORTUNITIES FOR SMALL BUSINESS

Small businesses account for the majority of new job creation. With California's innovative and creative culture, small businesses in the State should be poised for growth, even during the current economic downturn.

- Action 4:1** Work with the Small Business Advocate to improve contracting procedures.
- Action 4:2** Work with the Small Enterprise Officer to expand Caltrans' small business contracting opportunities.
- Action 4:3** Work with the Small Business Board to support small business and entrepreneurship.
- Action 4:4** Work with the Legislature, financial development corporations, and various stakeholders to develop new or expanded financial products for small business.

OBJECTIVE 5: MITIGATE IMPACTS OF THE FINANCIAL CRISIS ON BUSINESS AND PROPERTY VALUES

- Action 5:1** Continue to encourage mortgage lenders and servicers to work with borrowers to allow them to remain in the homes when possible.
- Action 5:2** Accelerate the Community Stabilization Home Loan Program to assist first-time homebuyers to purchase foreclosed homes.
- Action 5:3** Accelerate Proposition 1C housing bond programs.
- Action 5:4** Continue leadership of the Governor's Task Force on Non-traditional Mortgages.
- Action 5:5** Strengthen oversight of mortgage originators by implementing a mortgage licensing and registration system.
- Action 5:6** Assess and support ways to ensure continued access to business capital.

OBJECTIVE 6: ACCELERATE PROPOSITION 1B TRANSPORTATION BOND PROGRAMS

- Action 6:1** Identify ways to expedite project development, contracting and construction.
- Action 6:2** Work with stakeholders to ensure accountability for project deadlines.

OBJECTIVE 7: IMPLEMENT THE GOODS MOVEMENT ACTION PLAN AND GOCALIFORNIA MOBILITY STRATEGY

- Action 7:1** Expedite statewide railroad negotiations.
- Action 7:2** Develop strategies for future State and Federal funding for goods movement.
- Action 7:3** Review the Goods Movement Action Plan (GMAP) periodically and examine opportunities to improve the system.
- Action 7:4** Maximize existing authority to engage in various public-private partnerships (P3).
- Action 7:5** Develop and implement a strategy to achieve the goals of PBI (Performance-Based Infrastructure) California.
- Action 7:6** Work with stakeholders and the Legislature on legislation impacting GMAP and GoCalifornia.
- Action 7:7** Assess economic impacts of GMAP and GoCalifornia implementation.
- Action 7:8** Work with the California Environmental Protection Agency (CalEPA), the California Air Resources Board (CARB) and stakeholders to achieve balanced greenhouse gas (GHG) regulations.

OBJECTIVE 8: PURSUE A FEDERAL TRANSPORTATION BILL THAT ADDRESSES CALIFORNIA'S NEEDS

The current Federal transportation funding law will expire in September 2009 and is due to be replaced by a new multi-year Federal funding plan. Based on consensus among many diverse stakeholders, California will seek a greater degree of flexibility, a specific goods movement program with reliable funding, a new emphasis on environmental stewardship, and streamlined project delivery.

- Action 8:1** Advocate stakeholder consensus on Federal reauthorization.
- Action 8:2** Educate the California Congressional delegation on consensus principles.
- Action 8:3** Build alliances with other states, metropolitan areas and multi-state organizations.

OBJECTIVE 9: IMPLEMENT THE INTERNATIONAL TRADE AND INVESTMENT STRATEGY

The international trade and investment strategy calls for direct linkage to the State's broader economic development efforts.

- Action 9:1** Leverage existing services to provide export and import assistance to companies in prioritized industry clusters.
- Action 9:2** Develop a foreign direct investment program.
- Action 9:3** Monitor and engage the Federal government with regard to U.S. trade policy.
- Action 9:4** Implement the 2008 Border Governors Conference worktable initiatives.

OBJECTIVE 10: EXPAND BROADBAND ACCESS AND ADOPTION

The Broadband Task Force's report recommends ways to increase broadband access and adoption in California. The report supports the build-out of broadband infrastructure and the removal of barriers to broadband deployment for businesses, lower-income families and unserved communities.

- Action 10:1** Oversee work related to Caltrans' Fiber Collaboration Database, Dispute Resolution Committee, and Right-of-Way activities.
- Action 10:2** Continue to promote the use of electronic data interchange and expansion of Health Information Technology (HIT) infrastructure, including telehealth.